

Low Revenue Ceiling Aid for 2011-2012

Introduction: For the 2011-2012 fiscal year, the recent state biennial budget enacted a new general aid program for *one year only*.

Background: The Governor's proposed budget bill (AB40) proposed that the Low Revenue Ceiling for low spending districts be set at \$8,900 per pupil. Districts with a base revenue below the Low Revenue Ceiling can increase their revenue limit to the ceiling amount without exceeding the limit.

Upon final approval of the budget bill the Legislature approved increasing the Governor's proposal to \$9,000 per pupil. This increase, without an aid offset, though would simply increase the allowable tax levy authority for these school districts. In an effort to reduce the impact of the increase on local property tax payers, the Legislature created Low Revenue Ceiling Aid for fiscal year 2011-2012 only. This aid would provide state assistance between the Governor's proposed \$8900 ceiling and the approved \$9000 ceiling, at a rate of 40%.

If, before the low revenue ceiling adjustment a district had a per pupil base revenue of more than \$8900 but under \$9000, the aid would be prorated to the 40% of the adjustment. Districts that choose to not realize this additional revenue available and under-levy, would likewise see a proration based on the amount of the adjustment actually used.

The final budget was approved with these changes in place and an allocation of \$6,200,000 in 2011-12 only, for this aid program. The Governor has signed the budget bill, called 2011 Wisconsin Act 32.

This aid is a levy offset and is received within the revenue limits.

Aid Payment: The Department of Public Instruction will make the aid payment for this program in June 2012.

Attached is a preliminary estimate of what districts may be eligible for under this aid program. The total amounts are based on an operating assumption that all Summer and September 2011 membership counts will equal those of 2010. Actual membership changes will impact the aid amount.

Following the certification of school district levies on or before November 6, 2011, the Department will provide an aid estimate based on actual enrollments, as well as the impact of recurring and non-recurring exemptions to the revenue limit formula.

In May, 2012, following completion of membership audits, the Department will complete a Final 2011-2012 Revenue Limit calculation. This calculation will be used to certify the aid payment to be made in June.

Variables in the Formula: As noted above, under-levying and revenue limit exemptions may impact the Low Revenue Ceiling aid calculation. Districts with no revenue limit exemptions, either recurring or non-recurring, that choose to not use all of their available revenue limit authority will see a decrease in the aid award.

Districts with any revenue limit exemptions that under-levy may or may not see a decrease in the aid award. The amount of an under-levy is first applied to the exemptions before it reduces the low revenue ceiling adjustment (and the corresponding aid). Consider these three scenarios for a sample district:

FAIRLY NORMAL SCHOOL DISTRICT		Under-Levy by \$500,000	Under-Levy by \$300,000	Under-Levy by \$200,000
A	Membership	1,000		
B	Base Revenue Limit / Member	\$8,900		
C	Low Revenue Ceiling Adjustment	\$100		
D	Revenue Limit/Member, No Exemptions (B + C)	\$9,000		
E	Revenue Limit, No Exemptions (A x D)	\$9,000,000		
F	Declining Enrollment Exemption	\$250,000		
G	Revenue Limit (E + F)	\$9,250,000		
H	Under-Levy	\$500,000	\$300,000	\$200,000
I	Actual Revenues (Within Revenue Limits) (G – H)	\$8,750,000	\$8,950,000	\$9,050,000
J	Actual Revenue/Member (I / A)	\$8,750	\$8,950	\$9,050
K	Amount of Low Rev Ceiling Adjustment Used/Member (J - \$8900, not < 0)	\$0	\$50	\$100
L	Low Revenue Ceiling Aid/Member (K x 40%)	\$0	\$20	\$40
M	Low Revenue Ceiling Aid Total (L x A)	\$0	\$20,000	\$40,000

Projected Aid Amount in Setting Levies: It is expected that the \$6.2M appropriation will be sufficient to fully fund this aid program if all eligible districts qualify for the entire amount they are eligible for and that proration of the aid amount will not be necessary.

From the perspective of completing the revenue limit calculation, it is better to project an aid amount that is *not* prorated. This will lower districts levies. If the aid program is subsequently pro-rated, districts would then have under-levied.

However, if districts project a prorated amount, for example 38% instead of the full 40%, and the full aid amount is awarded, it will result in an over-levy. As a result, the district would receive a revenue limit penalty in June 2012.

CCDEB Districts: School Districts that employ CCDEBs for the provision of special education services *and* receive low revenue ceiling adjustments in the revenue limit formula have those adjustments offset, partially or fully, by a CCDEB Low Revenue Adjustment. As a result, their low revenue ceiling may calculate out to be less than \$9,000.

Said districts are eligible to receive 40% of the Low Revenue Adjustment shown on Line 4B of the revenue limit worksheet, subject to the conditions above.

Account Coding: Districts are to code Low Revenue Ceiling Aid revenues to Source code 629 (Other General Aids) for FY 11-12.

Additional Questions: If you have any additional questions, please contact Bob Avery, School Finance Consultant at 608-267-9707 or via e-mail at robert.avery@dpi.wi.gov.